

APPENDIX A – Results of Agreed-Upon Procedures

- 6 invoices (6 transactions) represented credit invoices.
- 1 invoice (3 transactions) we noted a difference between the amount paid by the BOC/ILEC and the amount recorded by the BOC/ILEC.
- 4 invoices (5 transactions) information could not be located.

c). We requested, obtained from management and included in our workpapers, documents showing the amount paid by the BOC/ILEC and amount recorded by the section 272 affiliate for the 100 sampled transactions sampled in step a). For each of the samples, we compared the amount paid by the BOC/ILEC and the amount recorded on the 272 affiliate's books of account. We noted the following:

- 24 invoices (73 transactions) we noted no differences.
- 10 invoices (10 transactions) the BOC/ILEC had not yet paid the invoice.
- 8 invoices (8 transactions) we noted a difference between the amount paid by the BOC/ILEC and the amount recorded on the 272 affiliate's books of account
- 6 invoices (6 transactions) represented credit invoices.
- 2 invoices (3 transactions) information could not be located.

8. Using the balance sheet and detailed listing information obtained in Procedure 4 under Objective I, we performed the following:

a). With regard to items purchased or transferred from a Verizon BOC/ILEC since January 3, 2005, we noted fixed assets acquired by VLD from Verizon BOC/ILECs. We obtained and inspected documentation regarding how the fair market value was determined and whether the amount was recorded in the books of the Verizon BOC/ILEC at the higher of the fair market value or net book cost, as required by the Commission's rules in section 32.27. Management indicated the following:

"Verizon Long Distance was the highest bidder on GL060603 which consisted of equipment from Verizon New York and Verizon Washington D.C.

	<i>Net Book Value</i>	<i>Fair Market Value</i>
<i>Verizon WA. D.C</i>	<i>\$555,418.15</i>	<i>\$439,200</i>
<i>Verizon New York</i>	<i>\$580,393.13</i>	<i>\$460,800</i>
<i>Total</i>	<i>\$1,133,811.28</i>	<i>\$900,000</i>

The FMV was determined as a result of Verizon Long Distance bid of \$900,000 being the highest bid".

- b). No items were purchased or transferred from another affiliate during the Test Period.
- c). We obtained details from management as to how the Verizon BOC/ILEC made an equal opportunity available to unaffiliated entities to obtain ownership of the facilities since January 3,

APPENDIX A – Results of Agreed-Upon Procedures

2005 (fMCI section 272 affiliate from January 6, 2006),. Management indicated that unaffiliated entities have equal opportunity for ownership by way of access to the equipment bidding process through the website www.verizonro.com.

9. We requested of management a detailed listing of all fixed assets which were purchased or transferred from any section 272 affiliate to any Verizon BOC/ILEC since January 3, 2005 (fMCI section 272 affiliate from January 6, 2006).

Management provided a written response indicating the following:

"There were no items transferred from any section 272 affiliate to any Verizon BOC/ILEC since January 3, 2005 (fMCI section 272 affiliate from January 6, 2006)".

"There were no items purchased or transferred from another affiliate".

10. We requested and obtained from management a listing of assets and/or services priced pursuant to section 252(e) or statements of generally available terms pursuant to section 252(f).

We selected a statistical valid sample of 95 items and obtained copies of the corresponding invoice. We randomly selected one rate/price from each invoice, compared the price the Verizon BOC/ILEC charged to the section 272 affiliate to the stated price in the publicly-filed agreements or statements and noted the following:

- For 77 of 95 invoices, the price per the invoice agreed to the publicly-filed agreements or statements.
- For 16 of 95 invoices, we were unable to identify a rate/price within the invoice.
- For 2 of 95 invoices, we were not able to verify that the price per the invoice agrees to publicly-filed agreements or statements.

11. We inquired of management and management indicated that no part of any Verizon BOC/ILEC's Official Services network was transferred or sold to a section 272 affiliate since January 3, 2005 (since January 6, 2006 for fMCI Section 272 affiliate).

OBJECTIVE VII. Determine whether or not the Bell operating company has discriminated between the separate affiliate and any other entity in the provision or procurement of goods, services, facilities, and information, or the establishment of standards.

1. We obtained the Verizon BOC/ILECs' written procurement procedures, practices, and policies. We inspected these policies for any stated purchasing preferences, and found that Verizon deviated from their non-preferential sourcing policies only in emergency situations and for requests for service that required highly specialized or specific goods or services. We noted the Verizon BOC/ILECs disseminate requests for proposals (RFPs) to affiliates and third parties through eSource per their policies and procedures.

The following represents a summary of the bidding and selection processes of the Verizon BOC/ILECs based on written procurement procedures, practices, and policies obtained from management:

Suppliers of products and services are selected without discrimination based upon the best combination of total cost, quality, and service when matched to the requirements of Verizon. All sourcing for Verizon and affiliates goes through Verizon Corporate Sourcing which will utilize Cross Functional Teams ("CFTs"), a Sourcing Process Leader ("SPLs"), Contract Administrator ("CAs"), and all policies and procedures specified in the Verizon Sourcing Policy and Procedures. CFTs are made up of individuals representing the user organizations impacted by the product or service to be procured. CFT's are utilized as a key control and responsibilities of CFT members are developed and listed in the Responsibility Matrix. SPLs have ultimate responsibility for leading the strategic sourcing process and for ensuring the overall integrity of the process. CAs are part of the Strategic Sourcing Team.

CAs and/or SPLs are responsible for contract administration, which includes contract formation and management from the development through the termination of the contract. Requirements are provided in the Verizon Affiliate Transaction policy for all procurement services provided by Verizon Sourcing to Verizon Affiliates. Proper approvals, authorizations, and policies have to be addressed and obtained before procuring products and services related to network, safety & environmental control, ergonomic, hazardous/environmentally sensitive materials, and computer products and materials. Verizon Corporate Sourcing is responsible for developing and maintaining information about suppliers who may potentially be eligible to receive a Request for Proposal ("RFP") or Request for Quote ("RFQ"). CFTs are responsible for selecting suppliers to receive an RFP/RFQ and awarding business to suppliers. At the beginning of the sourcing process, the SPL develops a preliminary sourcing strategy, which provides initial requirements and direction to the CFT. Preliminary sourcing strategies are required prior to each sourcing initiative and are tailored to individual sourcing requirements. The preliminary sourcing strategy must be prepared prior to the formation of the CFT. As the process evolves, the sourcing strategy must be revised to include new or more well defined information, particularly that which results from the work of the CFT. All additions and/or changes to the preliminary sourcing strategy must be approved by the CFT. After the sourcing strategy is reviewed by the CFT, the SPL and CFT are responsible for developing the RFP based on the Scope of Work/Generic Requirements.

APPENDIX A – Results of Agreed-Upon Procedures

All suppliers invited to quote must receive the same information with the same set of directives. Each RFP must be sent to a minimum of three suppliers. The suppliers *selected must be made in a fair, consistent, and non-discriminatory manner, which the CFT must disclose along with a rationale for their inclusion.* E-source is the vehicle designated for the issuance of Request of Information ("RFI"), RFP and RFQ. The CFT must review the responses to ensure that there is a competitive pool of suppliers available for negotiations, while the CFT leader will facilitate the discussions that result in the determination of a short list of suppliers who meet Verizon's requirements. The team leader must also ensure that data used to eliminate suppliers is comparable and consistent from supplier to supplier. Any additional requests made to suppliers must be distributed to all suppliers so that they have the opportunity to receive any additional information or advantage given. When the short list of suppliers is complete and the negotiation strategy is formed, the negotiation team must provide the same opportunities for all suppliers through the negotiation process. CFT must come to a consensus about awarding business to a supplier and all analysis must be documented for review. If a consensus can not be reached, the issue must be escalated to higher management.

After SPL has verified adherence to all applicable policies he/she must draft a Memo of Understanding (an internal document that outlines and summarizes the terms and conditions negotiated with the vendor) and forward it to the Contract Administrator. If the user organization needs the product/service immediately, a letter of intent can be drafted in the interim. SPL must ensure suppliers have adequate insurance, and are financially stable. Verizon's policies further monitor end users adherence to sourcing policies.

If a product or service is procured in an emergency situation, which is defined as "those network/computer/environmental/safety situations that are service affecting to the external customers of Verizon or where the safety and well being of Company employees or the public could be adversely impacted," then the user organization must complete a memorandum containing details of the emergency and procurement information and submit it to Verizon Corporate Sourcing for approval if Verizon Corporate Sourcing had to be by passed because of the emergency situation.

In other specific situations when the product is technical in nature or designed to exact specifications set by the customer, a supplier is designated as the sole source for the product. The sole source must be utilized unless there is a business reason for not utilizing the supplier. If the identified supplier cannot be utilized, the customer must be advised and participate where appropriate in the identification process for an alternate supplier.

In instances where the internal customer is time constrained and requires a product/service over \$25,000, Verizon Corporate Sourcing would implement the Enhanced Speed Model which addresses the needs of the user while preserving integrity and required controls. The Enhanced Speed Model incorporates all major functions of the sourcing policies and procedures, without using CFT or the negotiating team, and the RFP may be sent to a minimum of two suppliers. Finally, the sourcing process should comply with all State regulations.

APPENDIX A – Results of Agreed-Upon Procedures

2. We obtained the Verizon BOC's procurement awards to each section 272 affiliate during the Test Period. We noted that procurement awards given were not through the competitive bidding process, but through competitive market assessments. We inspected each competitive market assessment given to section 272 affiliates, noted competitive terms, and discussed with Verizon BOC representatives how selections were made. We compared this practice with the Verizon BOC written procurement procedures and noted no differences. The following procurement awards were provided:

- Competitive Market Assessment - Carrier Services Amendment 3, which allows for the addition of OC -192 services. The market assessment was based on the fact that of all the carriers currently under contract with Verizon, only AT&T, Sprint, MCI, Qwest, and VSSI were considered to have the financial viability to proceed with a deeper level of coverage and operational assessment. Upon inquiry, AT&T, Sprint, MCI, and Qwest did not have OC-192 capacity available in the locations required, nor did they have a history with Verizon of quick and efficient contract negotiations for pricing and contract terms. In view of the above financial stability, speed to market, existing facility coverage, and interoperability analyses, VSSI was deemed as the optimal carrier capable of meeting all of Verizon's technical specifications in the required service interval.
- Competitive Market Assessment - Carrier Services Amendment 4, which allows for a 3 year term extension. The market assessment was based on the fact that VSSI was the provider of choice for Verizon Official Telecommunications Services as a result of the 2003 contracted agreement. VSSI was also the least cost provider under contract with Verizon. If a change in vendor was required, the necessary time, effort and expense to complete the conversion would be extensive. The conversion would entail the reconfiguration of over 3,265 trunking facilities as well as the translation changes for over 1,028,650 Official Company Lines. In view of the existing facilities and cost analysis, VSSI was deemed as the optimal carrier to meet Verizon's specifications.

3. We obtained a list of all goods including software, services, facilities, and customer network services information, excluding CPNI as defined in section 222(f)(1) of the Act, and exchange access services and facilities inspected in Objective IX, made available to each section 272 affiliate by the Verizon BOC/ILECs.

From the listing, we selected a statistically valid sample of 25 items. For each item, we inquired and obtained copies of the media used by the Verizon BOC/ILECs to inform unaffiliated entities of the availability of the same goods, services, facilities, and information at the same price, and on the same terms and conditions. We noted that all services and agreements to provide services were made available to unaffiliated entities through use of the Verizon website.

4. a). We requested and obtained a list of goods (including software), services, facilities, and customer network proprietary information (excluding CPNI) that were purchased during the Test Period from the BOC(s) by both an unaffiliated entity and any section 272 affiliate in any state. This list excluded exchange access services, local exchange services, and interLATA services that are the subject of other procedures. The listing obtained included five services along with the total amount of the service purchased. The services provided were: UNE-P (\$581,642,737), Billing and Collections ("B&C") (\$147,980,681), One Plus Coin Sent Paid (\$795,044), Live and Automated Operator Services (\$89,171), and Prepaid Calling Cards (\$101,075). We selected all five goods/services billed to unaffiliated third parties for testing. We noted that billing systems

were applicable only to the B&C (CRIS and CABS) and UNE-P (MABS) services. With respect to these services, management indicated that the same systems are used to bill the section 272 affiliate and unaffiliated third parties for each service.

We requested from management and obtained a narrative of the BOC procedures for ensuring that the applicable tariff or agreement rate is billed to both the section 272 affiliates and nonaffiliates (e.g., the same rate table is used for all carriers). We inspected the narratives provided for both CRIS and MABS and noted that the narratives for each system contained the same information and that the systems do not differentiate between a section 272 affiliate and a nonaffiliate. Management's narrative indicated the following:

"There are no specific practices that are required to ensure that the billing systems bill the section 272 affiliate and nonaffiliates at the same rates and under the same terms and conditions. The (MABS and CRIS) billing systems do not differentiate between the section 272 affiliate and nonaffiliated; the same billing procedures are applied to the section 272 affiliate and nonaffiliated in a like manner".

Management stated that due to the high volume of rates relating to these two main services, it would not be possible to provide all of the applicable rate tables. As such, we identified a population of sub-services relating to the two main services. From these respective populations, we randomly selected three sub-services and obtained the rates for each, compared rates to current tariff or agreement rates and noted no differences. (Thus, selecting 3 rates per each of the two (2) services (Billing and Collections and UNE-P)).

- (1) We inquired and obtained from management a narrative of the BOCs' procedures for updating the rate tables for the Test Period. Management provided information pertaining to both CRIS and MABS.

With respect to CRIS, management provided a document entitled "CRIS Billing Rate Change Summary". We inspected this document and noted that it contained information surrounding updating the rate tables. The narrative of the BOC's procedures is as follows:

"Client Process:

- *The client estimates the revenue effect associated with the rate change, and determines customer notification methods.*
- *The client initiates the work request and ensures IT funding.*
- *The project management group assigns a number to the work request for tracking and scheduling.*
- *The business requirements document (BRD) is completed, attached to the database, and sent out for review.*
- *The RAD designers review the document for completeness, and log any issues.*
- *Project reviews are conducted for complicated projects.*
- *The rewrite and review process continues until the project is accepted.*

Design Group Process:

- *The Application designers update the database with level of efforts and general designs.*

APPENDIX A – Results of Agreed-Upon Procedures

- *Issues are logged as needed, and the designer completes a detail design.*
- *The detail designs are tailored to the specific applications and programmer ability.*
- *The detail design documents the rate changes needed to tables, code, rate files, copybooks, etc.*
- *The detail design also contains a traceability / expected test results section.*

Application Process:

- *The applications will not do rate changes without a project, unless it's an emergency fix.*

NY/NE usage process

- *The application retrieves the production version of the rate tables and/or copybooks from ENDEVOR and places them in an Integration path.*
- *The application updates the tables and code within the ENDEVOR software tracking tool.*
- *The programmer creates test data to test each condition of the rate change, tests the new tables for expected results, and looks for unintended changes by comparing output files.*
- *If a table is involved, the application compares the old table to the new table and prints off the new table.*

NPD USOC process:

- *When a new USOC is to be installed and rated, updates are made to IMS databases and/or VSAM files.*
- *The application unloads the rate database and updates, adds, deletes or changes segments as needed.*
- *This rate file is then uploaded back into the Rating database.*
- *Updates to the VSAM files are done via control cards.*
- *When there is a change in rates for existing USOCs, a file spin is preformed to change the rates.*
- *This is controlled by a program that is driven by inputting control cards*
- *All changes are turned over to IT testing.*

Integration Process

- *Integration Testing retests the tables.*
- *IT logs unexpected results in the database, and the application resolves them.*
- *IT provides test results for client review.*
- *Client signs off.*

Implementation process

- *The applications ensure that the tariff has been approved, and then the code is moved to the ENDEVOR "ship" path.*
- *The code and tables for each application are bundled in what we call a package.*
- *The ENDEVOR implementation team is the only group that can move code/tables to production.*
- *Release packages are pre-approved.*

APPENDIX A – Results of Agreed-Upon Procedures

- *Emergency fixes must be approved at direct level.*
- *The implementation group moves the code to production.*

Post Implementation

- *The VETS group is an internal auditing group, they check rate changes after the fact by monitoring a percentage of daily production."*

With respect to MABS, management provided a document entitled "Quality Management Process". We inspected this document and noted that it contained information surrounding updating the rate tables. The narrative of the BOC's procedures is as follows:

"Tariff Review

- *Tariff rates are specified in the applicable state access tariffs. Tariffs are not filed in all states (some states are de-tariffed and some states do not regulate B&C services). In de-tariffed and non-regulated states, the B&C contract rates are applied to both interstate and intrastate units. Most tariffs offer a multiple rate structure based on the carrier's bill/message volume commitment. These tariffs are reviewed annually for possible change.:*
- *If changes are required to the Tariff Matrix, the designated Contract / Tariffs employee will make the necessary updates and distribute the matrix to the designated Specialist Billing (Systems) to use while performing the annual yearly tariff rate review. The updated Tariff Rate Matrix will also be provided to the Spec-Billing (Systems) for use in second source verification and to the Spec-Billing (Ancillary) to be used for bill verification.*

Annual Tariff Rate Review

- *A yearly review of tariff rates, based on contract anniversary date, will be performed on all active B&C Billing Service Agreements/Contracts. The designated Contract/Tariff employee notifies Specialist Billing (Systems) of the contract anniversary.*
- *A query will then be run by the Specialist Billing (Systems) to look at Interstate Message and Intrastate Bill volumes for a given year, for all tariffed states.*
- *The actual message and bill volumes may warrant an increase or decrease in the current Message Bill Processing or Bill Rendering intrastate rate based on the current Tariff Rate Matrix.*
- *Updates to tables will be completed by systems support. The designated Contracts/Tariffs employee(s) will update all applicable contract B&C profiles and provide to the Spec-Billing (Systems) for use in second source verification and to the Spec-Billing (Ancillary) to be used for bill verification.*

Bill Rendering Discounts and Inquiry Service Rates

- *The discounted Bill Rendering and Inquiry Service rates are based upon the carriers Annual Bill Volume Guarantee. The selected Bill Volume*

APPENDIX A – Results of Agreed-Upon Procedures

Guarantee Band should include the total number of bills for all CICs and VERIZON Billing Regions associated with this contract. This annual bill volume guarantee is due to the carrier's account manager one month prior to the beginning of each annual contract billing period. If carriers fail to provide an annual Bill Volume Guarantee within the agreed time frame, Verizon will use the full, non-discounted, Bill Rendering rate for the annual period that the carriers do not provide a volume guarantee.

Bill Rendering True-up

- The current Billing Services Agreement Matrix is located on the Billing Services Compliance and Product Management Website. This matrix provides the contract dates needed for the Bill Rendering True-up process.*
- At contract renewal dates the designated Contract/Tariffs employee(s) will request a query of the actual bill rendering volume from the Specialist Billing (Systems).*
- A Bill Volume Guarantee true-up will be performed by the designated Contract/Tariffs employee the first month following the contract annual period, based on actual total bill volumes for the annual period. If it is determined, that the carrier failed to meet the Bill Volume Guarantee, the carrier agrees to pay a Bill Volume Guarantee true-up amount. The true up amount is equal to the difference between the minimum number of bills in the Bill Volume Guarantee band and the actual total number of bills, times the average cost per bill during that annual period. All true-up amounts will be settled on an Ancillary Bill following the annual contract period.*
- Average cost per bill: Total ancillary cost billed by Verizon during the annual period (less development and Change Request charges) divided by the total number of bills during the annual period.*
- If it is determined that a true-up is warranted, the designated Contract / Tariffs employee(s) will send an email with the details for billing to the Spec Billing (Systems), Supv-Billing (Ancillary) and copy appropriate Account/Product Manager*

California Surcharge

- Each year in December/January timeframe we receive a change notification for the California Surcharge/Surcredit rate. This notification is provided by the tax department. It is imperative to follow up at this time to be sure that this information is received. Schedule Cal.P.U.C No. A-38 is located on the Verizon Tariffs Website. <http://tariffs.verizon.com>*

New or renewed Operator Services contract/ODIR/Technical Questionnaire

- Review SECTION 1 of the Operator Services Agreement and the ODIR/TQ for the list of services selected. SECTION 1 will provide the Attachment number of applicable "Rate Schedule".*

APPENDIX A – Results of Agreed-Upon Procedures

- *Once the Contract Review is complete, the Spec-Billing (Contract/Tariffs) will complete the Operator Services Contract Profile. Revisions made to the Operator Services Contract Profile will be bolded to identify the items that have changed.*
- *Before a new CLEC contract is implemented, Product Management may schedule a "Kickoff" Meeting with the customer. Any questions on the OS contract can be addressed at that time.*

Distribution of Profiles for Second Source Verification

- *Once the B&C profile, and/or OS Contract Profile is completed, it is given to the designated Spec-Billing (Systems) for use in table verification after the MABS table updates are complete. If a problem were found during second source of the MABS B&C contract profile to the online table updates, the Spec-Billing Systems would work with the designated contract-tariff employee to resolve any issues. If a problem was found with the MABS B&C contract profile, the profile would be corrected and resubmitted to the Spec Billing Systems. If the problem found was due to a Mobs online table update, the Spec Billing System will correct the tables and second source. After final approval is received from the System Support Group, a copy of the MABS B&C contract profile is forwarded via email to MABITE TEAM for bill verification".*

- (2) We inquired, obtained from management and documented in our workpapers the practices and processes the Verizon BOCs have in place to ensure the billing system bills the section 272 affiliates and nonaffiliates at the same rates and under the same terms and conditions. Management provided documents which indicated that the (MABS and CRIS) billing systems do not differentiate between the section 272 affiliate and nonaffiliated; the same billing procedures are applied to the section 272 affiliate and nonaffiliated in a like manner.

Additionally, we documented in our workpapers the BOC internal controls and procedures designed to ensure non-discriminatory billing (for both CRIS and MABS), including a description of controls in place for overseeing the system.

For both MABS (Billing and Collections Service) and CRIS (UNE-P Service), we obtained information relating to the controls surrounding rate table updates, nondiscriminatory billing and revenue recording. We noted that each of these controls exist and apply equally to both the section 272 affiliates and nonaffiliates.

With respect to revenue recording controls, we inquired and obtained information surrounding the controls in place for recognizing and recording when the billed amount is actually paid. We obtained documentation of the controls relating to CRIS. As noted above, this system is used by each BOC to bill the UNE-P Services. We inspected the information provided and noted that it addresses the process for recording revenue. A summary of this process is as follows:

"The CRIS NY, NE and NPD revenue and cash data that is sent to FCS is processed through a two step procedure called the Standard Interface file Pre-

processor (PRESIF) and the Standard Interface File processor (SIF). These two steps apply equally to both the section 272 affiliates and nonaffiliates.

The SIF Pre-processor (PRESIF) tracks the receipt of packs of transactions and validates each pack to determine whether to accept or reject the pack. If the PRESIF encounters a data control error during processing, it will mark the pack in error, identifying the cause of error with an error message number and message set. Certain requirements must be met to ensure complete and accurate data is contained within the Standard Interface File. These requirements fall into the following categories:

- Pack Contents Requirements*
- Sequence Requirements*
- Header Record Requirements*
- Detailed Transaction Requirements*
- Trailer Record Requirements*

The SIF Pre-processor step produces an Inbound Pack Control report which identifies all packs received within a file. The report will identify information regarding the pack such as PEC/BU, accounting date, journal source, status, errors (if applicable), and pack totals.

The purpose of the SIF Processor is to process packs of data that are previously validated by the SIF Pre-processor. The SIF applies all the predefined business edits and translate rules against each record in the pack. If the record fails a businesses rule it is marked to error and written to the FCS error table while the error free data is written to the FCS CDL tables. The SIF step produces the Processor Control Report which will identify all packs of data received within a file, as well as, report all packs process with total record counts, quantities, hours, debit amount, credit amount, total amount, error and modified record counts and amounts, along with the status of the pack (Erred or Completed). If the pack is in error, the Message Set and Message number is displayed along with the error description. The packs are identified by Journal Source, Business Unit / PEC, and accounting date."

We obtained documentation relating to MABS, which is used by each BOC to bill the Billing & Collections Service. We inspected the information provided and noted that it addresses the process for recording revenue. A summary of this process is as follows:

"Journalization:

Once B&C issues the monthly Ancillary invoice the MABS system generates journal files which as sent to SAP, PeopleSoft and CARD, these files contain all monthly billing information needed to ensure accurate journalization. Journalization occurs at a carrier specific level based on appropriate account code information. MABS receives the MABS Journal Control report (summarizing what was sent for journalization) and balances this to MABS internally generated reports to ensure quality. These controls apply to both section 272 affiliate and non-affiliate B&C customers.

APPENDIX A – Results of Agreed-Upon Procedures

Payments Process:

Carrier payments are received and posted based on customer accounting information provided with payment. Payments are reconciled by Verizon Receivables Management group and are posted in Platinum (Accounts Receivables System). MABS receives a monthly Platinum file updating the customer payment information.

These controls apply to both section 272 affiliate and non-affiliate B&C customers.

Collections Process:

The Platinum Mechanized Ancillary Billing Systems (MABS) Aged Receivable Summary report is reviewed each month. This monthly report details the unpaid balances by dates of current, 45+ days, 75+ days, and 105+ days. Carriers that fall in the 45 days through 105 days are contacted by phone requesting payment of outstanding ancillary invoices. A log of all pertinent customer phone conversations related to collections is maintained. If payment is not received within approximately 15 days of the phone call, a certified letter will be sent to the customer notifying them that if payment is not received in approximately 15 days, the outstanding invoices will be netted with PAR (in accordance with the contractual time frame) providing the PAR has dollars to net with. If the carrier falls in the 105+ column and no netting can take place due to Negative PAR a register letter will be sent to the carrier stating they are in breach of contract and unless payment is received in 30 days for the outstanding ancillary invoices and negative PAR, Verizon will take further legal action including referral to a collection agency and termination of contract. A copy of the registered letter will also be sent to the Account Manager. If no payment has been received by the due date stated in the registered letter or no payment plan has been worked out by the Account Manager, the outstanding ancillary invoices and negative PAR invoices may be referred to the Outside Collection Agency, Anderson Financial Network. These controls apply to both section 272 affiliate and non-affiliate B&C customers."

b). We randomly selected three individual non-consecutive months during the Test Period. For the months of January 2006, April 2006, and July 2006, we requested and obtained from management, the billing records/invoices for the services which were identified in step (a) above that were billed to section 272 affiliates (i.e. Billing and Collections and UNE-P). These records were for all BOCs and all states.

From the three months of billing records/invoices, we randomly selected 10 invoices from the billing records provided. For each of the 10 selected invoices, we were to select ten line items/services. However, we noted that three of the invoices had less than 10 line items / services. In these instances, the entire population of the line items / services was selected. In total, there were 95 line items that were tested amongst the 10 invoices. We used judgment to ensure that at least 10 different items/services were selected in the overall sample.

APPENDIX A – Results of Agreed-Upon Procedures

We inspected each transaction for the proper application of the billing rate table tariff or agreement rate in effect at the time of the transaction. From the information noted in the rate table to the data noted in the invoice, we compared whether the amount billed was calculated using the appropriate rate in the rate table. We noted the following:

- There were 40 instances in which the rate information noted on the invoice agreed to the information on the table.
- There were 7 instances where invoice did not contain any rate information, however, a rate (greater than zero) was noted in the rate table. Each of these instances related to the service class "RRM". Management indicated that RRM did not carry rates in these instance as special billing arrangements were made to bill under service class UF8R1 (opt B platform set-up). Management indicated that the FID in the RRM USOC of (ZOPB) is the identifier which indicates this arrangement. We inspected the invoice's for each of these 7 instances and did note the ZOPB identifier in each instance. We also confirmed that the rate associated with the UF8R1 service class noted in the invoice agreed to that in the rate table.
- There were 4 instances in which the invoice did not contain any rate information, however, a rate of zero was noted in the rate table. Management indicated that the lack of a rate identified on the CSR indicates a \$0 rate.
- There were 44 instances in which neither the invoice nor the rate table contained any rate information for this USOC. Management provided explanations for each of these instances as follows:
 - In 28 instances, management stated that the rate was "Rate Included Elsewhere" and is applicable in package deals.
 - In 6 instances, management stated that the \$0 rate was due to a Local # Portability Surcharge.
 - In 5 instances, management stated that the \$0 rate was due to a Special Routing AIN Solution.
 - In 2 instances, management stated that the \$0 rate was due to an OSS cost recovery charge per line.
 - In 2 instances, management stated that the \$0 rate was due to an Unbundled Business Parts Specialized Routing Establishment Charge.
 - In 1 instance, management stated that \$0 rate was due to a Free Product (a 900 976 Call Block).

We noted that each of the 95 line items tested did have a corresponding rate (of either \$0 or greater) in which information was available.

c). Management indicated that there are no billing systems used by the BOCs to bill unaffiliated entities that are different than a billing systems used to bill the same service to a section 272 affiliate.

APPENDIX A – Results of Agreed-Upon Procedures

d). Based on the response to step c). above, step d). is not applicable.

e). We requested and obtained from management a file containing the local exchange services purchased from the BOCs by both an unaffiliated entity and any section 272 affiliate. We inspected the file and determined the three states that provided the majority of local exchange services to former Verizon section 272 affiliates in 2005; New Jersey, Pennsylvania, and Virginia. We randomly selected the month of February 2006 and obtained detailed billing data reports for unaffiliated customers with the same class of service for the three states. For each state, we identified the 9 USOCs billed to the section 272 affiliate(s) with the highest dollar volumes. We then selected an additional USOC at random for each state.

For each of the USOCs selected, we obtained information regarding the billing systems used for local exchange services. Management indicated that there are two billing systems used for local exchange services; CRIS and eTRAK. We inspected the information relating to both systems and documented in our workpapers the procedures for updating the rate tables.

We selected one section 272 affiliate transaction from within the detailed billing records provided by management for each of the 30 USOCs sampled. We noted the Product Description and Rate for each of the thirty (30) 272 transactions selected, and reviewed the detailed billing records in an effort to identify three (3) non-affiliate transactions for each USOC with the same rate. We noted that each nonaffiliate transaction contained the State, Product Description as well as the same rate as the 272 transactions and noted no differences.

We obtained the detail billing data reports for the 10 selected USOCs in the following states: Pennsylvania, New Jersey, and Virginia, during the month of February 2006. We selected a random sample of 25 invoices and requested that management provide the invoice and supporting documents showing the amount recorded by the BOC and the amount paid by the 272 affiliate for each invoice selected.

Management provided 25 invoices and the supporting documents showing 272 affiliate's payments for 19 invoices. Management indicated that the remaining 6 invoices had not yet been paid, therefore, no supporting documents were available. Management also provided a written narrative explaining that the documents supporting the amount recorded by BOC/ILEC could not be provided as follows:

"Verizon doesn't journalize by the individual bill, only by the bill cycle, which includes ALL bills that were processed during that bill cycle as a total. Verizon East records revenue and receivable amounts in its billings systems at a detail customer level. These amounts are summarized at a financial account code level as they pass to the BOC/ILEC's general ledger systems. These amounts are aggregated on the books of the BOC/ILEC's to various FCC USOA accounts. There are internal control functions in place between the billing systems and financial systems to ensure all billed levels are recorded. Receivable collection systems maintain currently due and past due balances from customers regardless of whether the customer is an affiliate or not."

For the 19 samples in which we obtained both the invoices and supporting documents for the amount paid by the 272 affiliate, we compared the invoice amounts with the amount paid by the 272 affiliate and noted no differences.

APPENDIX A – Results of Agreed-Upon Procedures

5. We inquired and obtained from management how the Verizon BOC disseminates information about network changes, the establishment or adoption of new network standards, and the availability of new network services to each section 272 affiliate and to unaffiliated entities. Management indicated the following:

"Verizon provides public notice regarding network change, and the establishment and adoption of new network standards in accordance with the Commission's network disclosure rules. See 47 C.F.R. Sections 51.325-51.335. Network disclosure for Verizon is made via the Internet website (www.verizon.com/regulatory). When network changes are made with less than six months notice, the network disclosures are distributed to interconnecting carriers in accordance with Section 51.333. The local operating companies do not and will not disclose to the 272 affiliates or any other affiliated or unaffiliated telecommunications carriers, any information about planned network changes until appropriate notice has been given. These methods are the same throughout the Verizon territory".

We noted no differences in the manner in which information regarding network changes, establishing or adopting new network standards, and the availability of new network services is disseminated to each Section 272 affiliate and to unaffiliated entities.

6. At the service call centers observed in Procedure 7 below, we obtained and inspected scripts that Verizon BOCs' customer service representatives recite to new customers calling, or visiting customer service centers, to establish new local telephone service or to move an existing local telephone service to another location within BOC in-region territory. We also obtained the script that is used in Verizon's Consumer Call Centers' Voice Response Unit. We observed that the scripts contain language informing the consumer of his/her choice of providers and that these providers, along with the interLATA service affiliates, are identified to consumers.

In addition, we obtained and inspected the written content of the Verizon BOC website for on-line ordering of new service or to move existing service local telephone service. We noted that consumers visiting the site are informed that there are other interLATA service providers, and that these providers, along with the interLATA service affiliate, are identified to the consumers visiting the site.

7. a). We obtained a complete listing, as of the end of the Test Period, of all Verizon BOC sales and support customer service call centers. We requested and management compiled a list of Verizon BOC call centers which respond to inbound callers requesting to establish new local telephone service or to move an existing local telephone service to another location within the BOC in-region territory. From this listing, we identified and grouped each call center by customer type, viz. "Consumer" or "Business." Using a random number generator, we selected six Consumer call centers and four Business call centers. We observed calls within each of the centers selected in order to obtain a sample of calls (10 per call center) in which the customer service representatives attempted to market the section 272 affiliate's interLATA services to callers requesting to establish new local telephone service or to move an existing local telephone service.

We listened to 1,943 incoming calls within the sampled Consumer and Business call centers to obtain the required sample of 60 Consumer calls and 40 Business calls. We noted the following:

- Call 1

The customer did not have existing phone service at their residence and was looking to have new phone service established.

At no point during the call did the Verizon representative state that the customer had a choice in long distance service providers or offer to read the customer a list of options. While the representative did not try to influence the customer, the representative did not inform the customer of the interLATA service options available.

- Call 2

The customer initially stated that they were looking to change their local phone service from one location to another. The Verizon representative asked the customer if they wanted to make any changes to their existing service plan. We did not note whether the customer had Verizon or another service provider. The customer did not answer the representative's question with respect to making changes to their existing plan, rather inquired about also obtaining DSL service to go with their phone package. The representative addressed the DSL question and then inquired as to whether the customer wanted TV service to be included in their plan. The customer eventually agreed to a package that included long distance services.

At no point during the call did the Verizon representative state that the customer had a choice in long distance service providers or offer to read the customer a list of options. The representative did not try to influence the customer, rather did not inform the customer of the interLATA service options available.

b). We requested and management compiled a list of call centers that might incidentally respond to inbound callers requesting to establish new local telephone service or to move an existing local telephone service to another location within the BOC in-region territory (such as sales and service centers that usually receive customer inquiries from existing customers). We noted the listing did not include any Consumer call centers. Using a random number generator, we selected 2 Business call centers, and listened to 20 calls per center. Of the 40 calls, we noted one instance in which a caller inquired about service plans relating to establishing new local telephone service.

c). We requested and obtained a list of phone numbers that channel into the consumer call Center population relating to Step a. Based on the limited population of phone numbers, we selected 100% of the numbers listed (for English speaking customers) for testing. We telephoned each number and indicated to the automated system that a new service was desired when prompted.

For the 9 unique numbers provided for Delaware, Maryland, Maine, Vermont, Massachusetts, Nebraska, New Jersey, New York (down state), New York (up state), Virginia, and West Virginia, we noted the Voice Response Unit informed customers that they "have a choice of regional toll and long distance providers" and that "a list of providers is available".

8. We inquired of management and management indicated that Verizon has no call centers managed by third parties in which representatives of third-party contractors of the Verizon BOC respond or might incidentally respond to customers requesting to establish new local telephone service or to move existing local telephone service to another location within the BOC in-region territory.
9. We inquired of management and management indicated that no third party contractors provide inbound telemarketing services that would be subject to the equal access notification requirements of section 272.

APPENDIX A – Results of Agreed-Upon Procedures

10. We inquired of management and management indicated that no third party contractors provide inbound telemarketing services. Accordingly, no contracts exist between the Verizon BOC and third-party contractors to provide inbound telemarketing services.

OBJECTIVE VIII. Determine whether or not the Bell operating company and an affiliate subject to section 251(c) of the Act have fulfilled requests from unaffiliated entities for telephone exchange service and exchange access within a period no longer than the period in which it provides such telephone exchange service and exchange access to itself or its affiliates.

1. We inquired of management regarding the practices and processes the Verizon BOC/ILEC has in place to fulfill requests for exchange access service for the section 272 affiliates, BOC and other BOC affiliates, and nonaffiliates in each state where Verizon has been authorized to provide in-region interLATA services. Management provided documentation describing the practices and processes the Verizon BOC/ILEC has in place to fulfill requests for exchange access service for the section 272 affiliates, other affiliates, and nonaffiliates. Such documentation is maintained in our working papers.

We noted that Verizon fulfills requests from affiliates and nonaffiliates by utilizing the same processes and practices.

We also inquired of management regarding the Verizon BOC's internal controls and procedures designed to implement its duty to provide nondiscriminatory service. We obtained a written response from management stating that:

"Verizon's 272 affiliates are required to use the same installation and repair interfaces with the Verizon ILEC operations as are made available to nonaffiliates. ASRs and trouble tickets are processed through the same interfaces and systems for both 272 affiliates and nonaffiliates. Also, the determinations of the availability of facilities for 272 affiliates and nonaffiliates use the same systems.

The systems that process installation orders apply the same standard minimum provisioning intervals (where facilities exist) and the same first-come-first-served priority to special access orders regardless of the identity of the customer. The systems that track and process the facilities checks are programmed to process orders on a first-come-first-served basis, regardless of the identity of the customer. Where facilities are required to be built or installed to provision a special access service request, Verizon performs that work on a first-come-first-served basis, regardless of the identity of the customer. Similarly the systems that track and process trouble reports, process reports on a first come first service basis, regardless of the identity of the customer. Thus, at each step in the fulfillment of requests the same treatment is given to nonaffiliated customers and affiliate customers. Verizon also provides procedural guidelines for the provisioning and maintenance of these services, regardless of the identity of the customer. Employees are trained in these procedures and compliance is monitored monthly by a sampling of orders and trouble reports. Reinforcement of Verizon's commitment to customer parity is frequently a topic of review at general team meetings. Verizon sets its internal service objectives and internally measures both its provisioning and maintenance performance by geographic location, not by customer identity. Management performance evaluations and the Verizon Incentive Plan payouts are based on meeting the predetermined service objectives. Verizon requires each employee to review yearly the company's Code of Business Conduct, in which dealings with our competitors, customers and suppliers, both affiliate and non-affiliate are outlined.

APPENDIX A – Results of Agreed-Upon Procedures

It should be noted that customers, locations, services, and intervals may differ, making the actual requested service experience different over time and by customer for reasons outside Verizon's control.

Part of the internal control environment involved extensive communication and training to assure all employees in the company are aware of the Section 272 obligations. The Section rules are summarized on the Affiliate Interest corporate web site.

To support this communications effort, employees are sent global e-mails which remind them of their responsibility to follow the regulations summarized in the Affiliate Transaction Policy. In addition target letters with similar reminders are sent to specific organizations. As examples, the Senior VP-Regulatory Compliance and Senior VP and Deputy General Counsel issued a joint letter to the "Directors and above" managers on June 24, 2005, emphasizing the importance of complying with Section 272 obligations with MCI companies that originate interLATA telecom services in the former Bell Atlantic states. These companies became Section 272 long distance affiliates of Verizon for regulatory accounting purposes following Verizon's purchase of more than 13 percent of the MCI stock on May 17, 2005. The Senior VP-Regulatory Compliance and the Senior VP and Deputy General Counsel issued a joint letter to the "Directors and above" managers on February 1, 2006, and an additional letter on February 2, 2006 to the "Verizon Business Directors and above" managers, emphasizing the importance of complying with Section 272 obligations. In these communications the senior managers are asked to ensure their organizations are aware of, and comply with, the rules. Summaries of the Section 272 rules or links to the internal corporate affiliate web sites were included in the correspondence. The VP-General Counsel, Senior VP Verizon, and Senior VP and Deputy General Counsel issued a letter to the "Directors and above" managers in Verizon Corporate Staff, Verizon Partner Solutions and Verizon Business on October 19, 2006, emphasizing the importance of complying with Section 272 obligations.

The importance of adhering to all affiliate regulations, including Section 272, was emphasized through corporate-wide emails sent to all employees on July 27, 2005. In order to further explain the rules, a website address was provided to locate Verizon's Affiliate Transaction Policy.

Verizon has a comprehensive program for affiliate transaction and Section 272 training and communication. The Affiliate Transaction Compliance Office (AICO) regularly conducts training sessions by conference call or face-to-face sessions targeted toward Section 272 employees and others interfacing with the Section 272 affiliate. AICO maintains up-to-date training materials that cover an overview of the Telecommunications Act of 1996 and related FCC rules; identification of the Section 272 affiliates; the consequences of non-compliance with the rules; the structural, accounting and nondiscriminatory compliance requirements; information sharing; and joint marketing. Training efforts begun shortly after the passage of the Telecommunications Act on Section 272 and have continued through 2006. During 2005 and 2006, at least 3,000 employees attended training sessions sponsored by the affiliate organization."

2. We inquired of management and documented in our working papers the processes and procedures followed by the Verizon BOC/ILEC used to provide information regarding the availability of facilities used in the provision of special access service to its section 272 affiliates, BOC and

other BOC affiliates, and nonaffiliates for each state where the Verizon BOC/ILEC has been authorized to provide in-region interLATA services. We noted no differences in the provision of information to the various parties.

We inquired of management whether any employees of the section 272 affiliates or other affiliates have access to, or have obtained, information regarding special access facilities availability in a manner different from the manner made available to nonaffiliates (e.g., direct calls, placed prior to ordering, from the section 272 affiliates or BOC account managers to employees who may have facilities availability information). Management indicated that it is not aware of any such instances.

3. We requested of management written methodology followed by the Verizon BOC/ILEC to record time intervals for processing orders (for initial installation requests, subsequent requests for improvement, upgrades or modifications of service, or repair and maintenance) provisioning of service and performing repair and maintenance services for the section 272 affiliates, BOC and other BOC affiliates, and nonaffiliates for the services described in Procedure 4 below. Management provided the following:

"Verizon documents the time interval for the installation and repair of special access services using the information captured by the appropriate systems that process the installation and repair of access services and by using established business rules.

The business rules utilized by Verizon for the special access services are the business rules associated with the service quality reports required by the Service Quality Measurement Plan for Interstate Special Access Services in Appendix G, Attachment A to the Verizon MCI, Inc. Merger Order released by the FCC on November 17, 2005. Copies of the business rules are provided in the Verizon's 2005/2006 Section 272 Agreed-upon Procedures (AUPs). Verizon uses the same business rules to provide the same metrics for the special access services described in Procedure 4.

Installation

The methods used to document the installation intervals are based on the information contained in the systems and timestamps that Verizon utilizes as part of the Access Service Request (ASR) process used for carrier orders. Verizon systems automatically record the two time stamps used to compute the installation interval. These time stamps are: (1) the "Clean ASR Date" or "Application Date"; (2) the "FOC Returned Date"; and (3) the "Completion Date".

The Application Date is determined mechanically when Verizon has enough information via the ASR process to begin processing the carrier order for access service. The Application Date is automatically time stamped by ACCORD or EXACT upon receipt of a clean ASR.

The FOC Returned Date is determine mechanically when Verizon returns an estimated completion date for the requested access service(s). The FOC Returned Date is captured by ACCORD or EXACT upon return of the FOC to the customer.

APPENDIX A – Results of Agreed-Upon Procedures

For the Application Date and the FOC Returned Date, ACCORD is used in CT, MA, ME, NH, NY, RI and VT and EXACT is used in DC, DE, MD, NJ, PA, VA and WV.

The Completion Date is captured by WFA. All of the 271-approved states used WFA

Repair

The methods used to document the repair intervals are based on the information contained in the systems and date/time stamps that Verizon utilizes as part of the trouble report process used for carrier trouble ticket administration. These time stamps are: (1) the "Date/Time Received" and (2) "Date/Time Cleared".

*The Date/Time Received and the Date/Time Cleared are captured by WFA
All of the 271-approved states used WFA."*

We also obtained the 272 PIC Interval Data Retrieval Procedures that provides documentation of the Business Rules used to measure the average time of carrier-initiated PIC change requests for the 272 affiliates, non 272 affiliates, and non-affiliates processed in XEA.

4. We requested and obtained from management, for each state where Verizon has been authorized to provide in-region interLATA services, the performance data maintained by each Verizon BOC/ILEC during the Engagement Period, by month. These reports indicate Firm Order Confirmation (FOC) Timelines, Percent Installation Appointments Met, New Installation Trouble Report Rate, Failure Rate/Trouble Report Rate, and Average Repair Interval/Mean Time to Restore for the section 272 affiliates, the BOC and other BOC affiliates, and nonaffiliates, as separate groups. We requested performance data reports for the following service categories:
- Exchange access services as submitted through an Access Service Request ("ASR") for DSO, DS1, DS3 and above, as individual groups. For the BOC and other BOC affiliate group, exchange access measurements should cover services provided to end users on a retail basis and services provided to affiliates on a wholesale basis.
 - Presubscribed Interexchange Carrier ("PIC") change orders for intraLATA toll services and interLATA services.

The performance reports provided by management are included in Attachment A-3.

We noted that the performance reports provided by management included the calculated denominators, results, means and standard deviations (where appropriate) for the following performance measures:

- Firm Order Confirmation (FOC) Timeliness
- Percent Installation Appointments Met
- New Installation Trouble Report Rate
- Failure Rate/Trouble Report Rate
- Average Repair Interval/Mean Time to Restore
- Average Time of PIC Change

We noted that with the exception of the Average Time of PIC Change performance reports, the performance results for the state of Connecticut were aggregated with the state of New York.

We examined the performance reports provided by management and noted instances where fulfillment of requests from nonaffiliates took longer than for either the section 272 affiliates or the BOC and other BOC affiliates. We provided such instances to management and management provided the following response as explanations where fulfillment of requests from nonaffiliates took longer than for either the section 272 affiliates or the BOC and other BOC affiliates:

“Primary Interexchange Carrier (PIC) Measures

Verizon processes carrier-initiated PIC transactions (mechanical batch submissions) using the same systems and procedures for all carriers; there is no manual intervention when processing incoming files that could affect the processing interval. After the incoming files are processed and a series of edits and updates are applied however, a small number of the individual transactions may fall out for manual processing. Those transactions also are processed in a non-discriminatory fashion, using a first-in-first-out methodology, so that all valid PIC transactions are sent to the switch for implementation.

Verizon has reviewed the monthly PIC change performance for each state. There are instances where the interval is either longer or shorter for non-affiliates and these variations among states and from month-to-month are expected. Batch runs come in at different times during the day and files are of different lengths. As all carriers have been informed, these variables influence the processing time that is measured for this interval. There is no pattern or trend in the 2005 or 2006 data in any state that would suggest further investigation is warranted to explain differences in intervals between affiliates and non-affiliates.

Special Access Measures

As required for this audit, Verizon submitted results for 14 jurisdictions, for 24 individual months for a range of special access products (DS0, DS1, and DS3 and above). In total, 11,780 metric data points were reported across the 14 jurisdictions. Although some data suggest higher performance percentages or shorter intervals for Section 272 affiliates, than for non-affiliates, there are at least two reasons negative inferences cannot be drawn from the data. First, across most states, the data reflect relatively low volumes of special access orders from Section 272 affiliates. Second, the performance measures reflect data and circumstances that mask reasons for the different results.

Of the 11,780 individual results, 4,557 were for non-affiliates, 3162 for non-272 affiliates, and 4,126 were for 272 affiliates; 1,593 of the 272 affiliate results were in months and states with fewer than ten 272 affiliate transactions. Most of the occurrences of ten or more installation or repair results for 272 affiliates were for DS1 service. In those states and months where the Section 272 affiliate had fewer than ten transactions per month per state for a product category, any comparison to the results for non-affiliates is of limited or no statistical value. In the months with slightly higher volumes, there was no observable pattern of higher performance percentages or longer intervals for non-affiliates in comparison to Section 272 affiliates. As would be expected, for each month there is variation between the Section 272 affiliate and non-affiliate results. The data

reflect expected statistical variations and, as explained below, differences in user characteristics for each transaction.

Verizon's BOCs/ILECs have established and follow practices, procedures, and policies to fulfill requests from unaffiliated entities for exchange access services within a period no longer than the period in which they fulfill similar requests for the same exchange access services to their affiliates. For firm order confirmation (FOC) performance for special access, there were no trends where 272 affiliates were consistently receiving better service or shorter intervals than non-affiliates in states and months where volumes were sufficient for a meaningful comparison.

For special access (DS1) installation and repair, in states where there were more than ten 272 affiliate transactions, there were instances where "On-Time" performance for the Verizon BOCs/ILECs appeared to be higher than non-affiliates or where 272 affiliate entities appeared to receive shorter repair intervals for exchange access services than non-affiliates received. Verizon's analysis, however, shows that these results are due to the way that the data were aggregated in the audit rather than to any discriminatory treatment. The data mask differences between affiliates and non-affiliates in the types of customer orders, types of underlying facilities, and types of troubles reported. When the data are disaggregated to compare performance in like circumstances, the results no longer reflect significant differences between affiliates and non-affiliates.

There are several reasons that negative inferences should not be drawn from the special access installation and repair results, including but not limited to variations in technology and routes on specific requests for service; customer behavior not within Verizon's control; differences in underlying facilities for the circuits ordered; and the nature of troubles reported on the circuits. Special access services are unique services and any particular service installation request or reported trouble can potentially be very different from another request or trouble. Due to the very high volume of non-affiliate orders, Verizon did not analyze all of the potential combinations of possible factors affecting special access performance results for all states, for all service categories, for all months to address several likely causes of the differences.

Percent Installation Appointments Met (PIAM)

For special access DS0, DS1, and DS3 service categories where at least 10 installations occurred in a month, there were instances where Verizon 272 affiliates appeared to receive a higher percentages of installation appointments met by the established due date. There were even more instances, however, where non-affiliates appeared to receive a higher percentage of installation appointments met by the established due date than affiliates received. These variations in performance between affiliates and non-affiliates from state-to-state and from month-to-month are expected and are due to the way data were aggregated in the audit rather than to any discriminatory treatment. The data mask differences between affiliates and non-affiliates in the types of customer orders, types of underlying facilities, and types of troubles reported. When the data are disaggregated to compare performance in like circumstances, the results no longer reflect significant differences between affiliates and non-affiliates

Customer Trouble Report Rate (CTRR)

For special access DS0, DS1, and DS3 service categories where at least 10 troubles occurred in a month, there were instances where Verizon 272 affiliates appeared to have a CTRR performance that was better than Verizon's CTRR performance for non-affiliates. Verizon also noted a number of instances where non-affiliates appeared to receive better CTRR performance than Verizon's affiliates received. These variations in performance between affiliates and non-affiliates from state-to-state and from month-to-month are expected and are due to the way data were aggregated in the audit rather than to any discriminatory treatment. The data mask differences between affiliates and non-affiliates in the types of customer orders, types of underlying facilities, and types of troubles reported. When the data are disaggregated to compare performance in like circumstances, the results no longer reflect significant differences between affiliates and non-affiliates.

For example, much of the difference in DS1 performance is due to a higher percentage of 272 affiliate DS1 service being on fiber versus copper based loop facilities. The technology (copper or fiber) utilized to provision circuits is dependent upon the specific route and nature of the special access service. Affiliates more often order backbone, network infrastructure circuits where fiber facilities are in place. In contrast, non-affiliates more often order special access circuits that terminate at a remote end user location served by copper facilities. DS0 circuit loops are always provisioned on copper, while DS3 loops must be provisioned on fiber because of technology limitations. DS1 loops can be provisioned on either copper or fiber.

Fiber loops tend to experience trouble less often and the required repair more often can be done at the central office or at a customer premises, as opposed to on a pole line or in an underground facility, as is often the case with copper facilities. Moreover, circuits provisioned over fiber optic facilities typically can be restored more quickly than those on copper facilities. Facility troubles on copper many times must be referred to multiple work groups for resolution and often require dispatches to several outside work groups such as Special Services repair and construction. Interdepartmental team conference calls often are required to resolve these issues. Multiple dispatches and interdepartmental coordination are less likely to be required for a circuit provisioned over fiber. Copper facilities also typically are more prone to plant operating errors in the field, such as crossing up terminals at a cross-connect box, which can require a dispatch to clear, resulting in longer repair intervals. Fiber loops usually are segregated or independent from copper facilities and are more protected from these types of inadvertent errors in the field.

Finally, connectivity to network elements for remote testing has been greatly improved on fiber, whereas on copper facilities, remote testing is more challenging. Fiber technology is, by design, more dependable than copper. For example, survivability features, redundant designs and SONET technology typically give fiber facilities a lower failure rate and a shorter average repair interval than copper.

Average Repair Interval/Mean Time to Restore (MAD)

For special access DS0, DS1, and DS3 service categories where at least 10 troubles occurred in a month, there were instances where Verizon 272 affiliates appeared to have a MAD performance that was better than Verizon's MAD performance for non-affiliates. There were even more instances, however, where non-affiliates appeared to receive a better MAD performance than Verizon affiliates received. These variations in performance between affiliates and non-affiliates from state-to-state and from month-to-month are expected and are due to the way data were aggregated in the audit rather than to any discriminatory treatment. The data mask differences between affiliates and non-affiliates in the types of customer orders, types of underlying facilities, and types of troubles reported. When the data are disaggregated to compare performance in like circumstances, the results no longer reflect significant differences between affiliates and non-affiliates. MAD performance differences between 272 affiliate and non-affiliates for various service types occur for reasons similar to those described with respect to CTRR differences.

New Installation Trouble Report Rate (NITR)

For special access DS0, DS1, and DS3 service categories where at least 10 installations occurred in a month, there were instances where Verizon 272 affiliates appeared to have NITR performance that was better than Verizon's NITR performance for non-affiliates. Verizon also noted a number of instances where non-affiliates appeared to receive better NITR performance than Verizon's affiliates received. These variations in performance between affiliates and non-affiliates from state-to-state and from month-to-month are expected and are due to the way data were aggregated in the audit rather than to any discriminatory treatment. The data mask differences between affiliates and non-affiliates in the types of customer orders, types of underlying facilities, and types of troubles reported. When the data are disaggregated to compare performance in like circumstances, the results no longer reflect significant differences between affiliates and non-affiliates. For example, in 155 of the 246 instances of what appeared to be better 272 affiliate performance, the 272 affiliate had 0 New Circuit Failures for an average of 30 orders installed per month, while the non-affiliate had considerably more installations and NCFs for the same period. This data displays the granular, sensitive nature of the NITR metric, as it is applied in low volume situations.

Firm Order Confirmation Timeliness (FOCT)

For special access DS0, DS1, and DS3 service categories where at least 10 Access Service Requests ("ASRs") were received in a month, there were instances where Verizon 272 affiliates appeared to receive better FOCT performance than non-affiliates received. There were even more instances, however, where non-affiliates appeared to receive better FOCT performance than Verizon affiliates received. These variations in performance between affiliates and non-affiliates from state-to-state and from month-to-month are expected and are due to the way data were aggregated in the audit rather than to any discriminatory treatment. The data mask differences between affiliates and non-affiliates in the types of customer orders, types of underlying facilities, and types of troubles reported. When the data are disaggregated to compare performance in like